

CONNECTICUT PACKAGE STORES ASSOCIATION



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Senator Kissel, Representative Mushinsky and members of the Program Review and Investigations Committee, the Connecticut Package Stores Association (CPSA) represents most of the 1,100 off-premise package store retailers in the state of Connecticut, working to promote and protect their integral role as one of the three tiers of the alcohol beverage industry in CT. We submit this testimony in opposition to S. B. No. 204 (RAISED) AN ACT IMPLEMENTING THE RECOMMENDATIONS OF THE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE CONCERNING THE SALE OF ALCOHOLIC LIQUOR ON SUNDAY.

A CPSA survey and careful analysis have determined that the imposition of a sales tax of 6.25% last year in Massachusetts on package stores sales had a significant impact on Connecticut liquor sales. Stores along the border with Massachusetts report higher sales than the prior year, which means revenue is coming back to Connecticut. This is significant since gross sales had been expected to be less because all stores in the state, as well as in a trend across the country, reported "product trade downs". This occurs in a less robust economy where the customer purchases similar quantities of products, but with a lower cost (some as much as a third to half less in cost). This trend was reported by all major spirit manufacturers in all areas of the country in 2009 as reported by major newspapers.

As per the Department of Revenue Service alcoholic beverage tax figures, since 2003-04 total alcoholic beverage tax revenues have increased from more than 44 million in 2003 to more than 47 million in 2008-09. After the August 2009 implementation of the Massachusetts package store tax, CPSA undertook an advertising and public information campaign to bring the Connecticut consumer back to Connecticut. Prior to the sales tax in Massachusetts, prices differed from Connecticut as much as 10-12% lower based on the CPSA surveys. Since price differences have always existed in comparison to Massachusetts, sales have migrated to that state. Our surveys over the year conducted on Wednesday, Thursday, Friday, Saturday and Sunday have indicated that as many as 22% of purchases come from this state. Price differences are the issue! As of our last survey in January 2010, the differences in prices are 2% to 6% lower on popular items. With the cost of gasoline to travel to Massachusetts, except on significant huge orders, the savings is minimal at best considering the time and the cost of travel. This year for the first time in the holiday sales, border states reported sales increases.

There are a few reasons for the difference in cost in Massachusetts. There is a lower excise tax per gallon and retailers also are allowed to own a wholesaler permit. Another significant factor is that on average a package store in Massachusetts has double the gross sales of a Connecticut retailer and may sell its products at a lower price. The double average gross sales of a store in Massachusetts are understandable. Connecticut has 1,100 stores for population of 3.4 million; Massachusetts has 1000 stores for over 7 million in population or a ratio in Connecticut of 3,235 people per store vs. 7,000 person population per store in Massachusetts.

Reflecting upon the current erosion of out-of-state sales to both Connecticut and New Hampshire, Massachusetts retailers and others have collected 65,000 signatures to place the issue of the package stores sales tax for repeal as a November 2010 ballot initiative. We don't wish them success on this issue. Unfortunately Connecticut has over the years condoned and encouraged the practice of out of state purchases. The state allows 4 gallons of alcohol to be brought into the state without payment of Connecticut tax.

CPSA as well as several other supporting organizations including, the CT Coalition to Stop Underage Drinking, CT Police Chief's Association, regional substance abuse councils (Ct Prevention Network), and many public officials, all continue to oppose Sunday package store sales.

Connecticut package stores are open 6 days per week, 13 hours per day, and 78 hours per week which is sufficient to meet all apparent and real demands for alcohol products. Add in the hours that 2000 grocery stores are open to sell beer and that number increases. Retailers that deal with customers are owner operated stores who know the customer. Any retail sales out of state occur because of a lower price. Massachusetts is now much less of an issue. New Hampshire is a problem to both Connecticut and Massachusetts, where the price difference is much greater with the state-controlled stores that charge no excise or sales tax. That is the real place our sales are lost in higher gross purchases.

Retailers would not oppose Sunday sales if there were a potential for an increase in sales. The real potential cost for every store to open would be a minimum per year of \$14,000. Some stores would approach \$30,000 in cost with increased utilities and labor cost. There are about 400 stores that gross \$300-\$325 thousand in sales. The net to the owner for take-home pay is \$35 to \$40 thousand dollars per year. This pay in most cases is for up to 72 hours a week. Increasing the cost of a store in this economic downturn could result in the loss of 300 out of the 1,100 stores. There would be a definite loss of state income and revenue to the state if the stores close and these locations cease to exist.

The loss of a least 2 jobs per store would result in 600 jobs statewide. We also estimate the loss of at least 150 beer and spirit wholesaler jobs for sales persons, warehouse and truck drivers who currently service those 300 stores. If Connecticut levels to the same ratio of population as Massachusetts 1 store to every 7,000 persons our state could drop to 500 stores over a longer period of time. The loss of retail rents and vitality to a municipality could be devastating. The cost to municipalities for indirect costs for Sunday sales is also significant.

One of the reasons local municipal leaders, laws enforcement and our other partners oppose Sunday sales is the potential for underage purchasing opportunities which are substantially higher on weekends. No one will dispute that Connecticut has far more stores per population than most states. Whether this is desirable for business, no one will dispute since it adds sales value and convenience to the public. The loss of even 300 stores will surely reduce convenience.

On July 1, 1995, New Mexico authorized allowing the sale of alcohol on Sundays. The American Journal of Public Health studied the legislation's effects using data from the first five years that alcohol sales on Sunday were allowed. The study found that alcohol-related crashes increased by 29 percent on Sundays in counties that allowed sales. Those additional crashes led to a 42 percent increase in alcohol-related fatalities on Sundays.

Advocates for Sunday sales also fail to mention that there currently is Sunday sales for on and off premise consumption at local farm wineries which has been a boon to their business when people want to buy what they sample. Some farm wineries even have permits to sell all CT farm wines at their location! CPSA has supported their fellow small business local farm wineries. These wineries are located throughout CT at easy access for everyone. Allowing Sunday sales elsewhere would eliminate the advantage farm wineries currently have in the marketplace.

The goals of the manufacturers of alcohol who are the prime instigators of Sunday sales with the food stores really want 7 days a week 24 hours sales. It will not increase costs for either of these parties to open on Sundays. These parties would experiment with someone else's job and viable business regardless of the consequences. This is not the way to develop policy using the legislature to replace private enterprise jobs.

The Connecticut Package Stores Association,
Representing one of the few remaining Main Street stores.